STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

RICK SNYDER
GOVERNOR

NICK A. KHOURI
STATE TREASURER

BULLETIN 13 of 2015
Inflation Rate Multiplier
October 12, 2015

TO: **Assessors and Equalization Directors**

FROM: **State Tax Commission**

RE: **Inflation Rate Multiplier for use in the 2016 capped value formula and the "Headlee" Millage Reduction Fraction (MRF) formula**

Note: The Calculation of the Inflation Rate Multiplier is set in statute. MCL 211.34d states:
(l) "Inflation rate" means the ratio of the general price level for the state fiscal year ending in the calendar year immediately preceding the current year divided by the general price level for the state fiscal year ending in the calendar year before the year immediately preceding the current year.
(f) "General price level" means the annual average of the 12 monthly values for the United States consumer price index for all urban consumers as defined and officially reported by the United States department of labor, bureau of labor statistics.

Based on this statutory requirement, the calculation for 2016 is as follows:
1. The 12 monthly values for October 2013 through September 2014 are averaged.
2. The 12 monthly values for October 2014 through September 2015 are averaged.
3. The ratio is calculated by dividing the average of column 2 by the average of column 1.

The specific numbers from the US Department of Labor, Bureau of Labor Statistics are as follows:

Oct-13	233.546	Oct-14	237.433
Nov-13	233.069	Nov-14	236.151
Dec-13	233.049	Dec-14	234.812
Jan-14	233.916	Jan-15	233.707
Feb-14	234.781	Feb-15	234.722
Mar-14	236.293	Mar-15	236.119
Apr-14	237.072	Apr-15	236.599
May-14	237.900	May-15	237.805
Jun-14	238.343	Jun-15	238.638
Jul-14	238.250	Jul-15	238.654
Aug-14	237.852	Aug-15	238.316
Sep-14	238.031	Sep-15	237.945
Average	**236.009**		**236.742**
		Ratio	**1.003**
		% Change	**0.3%**

Local units <u>cannot</u> develop or adopt or use an inflation rate multiplier other than 1.003 in 2016. It is not acceptable for Local Units to indicate to taxpayers that you do not know how the multiplier is developed.

> **Inflation Rate Multiplier Used in the 2016 Capped Value Formula**

The inflation rate, expressed as a multiplier, to be used in the 2016 Capped Value Formula is 1.003.

The 2016 Capped Value Formula is as follows:

2016 CAPPED VALUE = (2015 Taxable Value – LOSSES) X 1.003 + ADDITIONS

The formula above does not include 1.05 because the inflation rate multiplier of 1.003 is lower than 1.05.

> **Inflation Rate Multiplier Used in 2016 "Headlee" Calculations**

The inflation rate multiplier of 1.003 shall ALSO be used in the calculation of the 2016 "Headlee" Millage Reduction Fraction required by Michigan Compiled Law (MCL) 211.34d. The formula for calculating the 2016 "Headlee" Millage Reduction Fraction (MRF) is as follows:

$$2016\ MRF = \frac{(2015\ Taxable\ Value - LOSSES)\ X\ \ 1.003}{2016\ Taxable\ Value - ADDITIONS}$$

> The following is a listing of the inflation rate multipliers used in the Capped Value and "Headlee" calculations since the start of Proposal A:

1995	1.026
1996	1.028
1997	1.028
1998	1.027
1999	1.016
2000	1.019
2001	1.032
2002	1.032
2003	1.015
2004	1.023
2005	1.023
2006	1.033
2007	1.037
2008	1.023
2009	1.044
2010	0.997
2011	1.017
2012	1.027
2013	1.024
2014	1.016
2015	1.016
2016	1.003

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DATE: October 15, 2015

TO: Edward Koryzno, Director, Bureau of Local Government Services

FROM: Jay Wortley, Director
Office of Revenue and Tax Analysis

SUBJECT: U.S. CPI for Taxable Value Cap and Millage Rollback Computation

Based on data released through October 15, 2015, by the United States Department of Labor, the *inflation rate* ratio for the fiscal year ending September 30, 2015, as measured by the U.S. CPI for all urban consumers, is **1.003 (0.3 percent increase).**

As shown in the table below, this calculation is calculated as follows: (1) The 12 monthly values for October 2013 through September 2014 are averaged; (2) The 12 monthly values for October 2014 through September 2015 are averaged; (3) The ratio of (2) divided by (1) is calculated.

The backup documentation is the attached table from the BLS Website. The figures used for the calculation are highlighted. If you have any questions, please feel free to contact me.

CPI Data used to Calculate 2016 Taxable Value Cap

FY 2013 - 2014		FY 2014 - 2015	
Oct 2013	233.546	Oct 2014	237.433
Nov 2013	233.069	Nov 2014	236.151
Dec 2013	233.049	Dec 2014	234.812
Jan 2014	233.916	Jan 2015	233.707
Feb 2014	234.781	Feb 2015	234.722
Mar 2014	236.293	Mar 2015	236.119
Apr 2014	237.072	Apr 2015	236.599
May 2014	237.900	May 2015	237.805
Jun 2014	238.343	Jun 2015	238.638
Jul 2014	238.250	Jul 2015	238.654
Aug 2014	237.852	Aug 2015	238.316
Sep 2014	238.031	Sep 2015	237.945
Average	236.009	Average	236.742
		Ratio	1.003
		% change	0.3%

Attachment

cc: Nick Khouri   Howard Ryan   Terry Stanton   Howard Heideman   Evah Cole
Kelli Sobel

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Data extracted on: October 15, 2015 (1:19:53 PM)

Consumer Price Index - All Urban Consumers

```
Series Id:    CUUR0000SA0, CUUS0000SA0
Not Seasonally Adjusted
Area:         U.S. city average
Item:         All items
Base Period:  1982-84=100
```

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Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	HALF1	HALF2
2005	190.7	191.8	193.3	194.6	194.4	194.5	195.4	196.4	198.8	199.2	197.6	196.8	193.2	197.4
2006	198.3	198.7	199.8	201.5	202.5	202.9	203.5	203.9	202.9	201.8	201.5	201.8	200.6	202.6
2007	202.416	203.499	205.352	206.686	207.949	208.352	208.299	207.917	208.490	208.936	210.177	210.036	205.709	208.976
2008	211.080	211.693	213.528	214.823	216.632	218.815	219.964	219.086	218.783	216.573	212.425	210.228	214.429	216.177
2009	211.143	212.193	212.709	213.240	213.856	215.693	215.351	215.834	215.969	216.177	216.330	215.949	213.139	215.935
2010	216.687	216.741	217.631	218.009	218.178	217.965	218.011	218.312	218.439	218.711	218.803	219.179	217.535	218.576
2011	220.223	221.309	223.467	224.906	225.964	225.722	225.922	226.545	226.889	226.421	226.230	225.672	223.598	226.280
2012	226.665	227.663	229.392	230.085	229.815	229.478	229.104	230.379	231.407	231.317	230.221	229.601	228.850	230.338
2013	230.280	232.166	232.773	232.531	232.945	233.504	233.596	233.877	234.149	233.546	233.069	233.049	232.366	233.548
2014	233.916	234.781	236.293	237.072	237.900	238.343	238.250	237.852	238.031	237.433	236.151	234.812	236.384	237.088
2015	233.707	234.722	236.119	236.599	237.805	238.638	238.654	238.316	237.945				236.265	

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